

MULTIMEDIA



UNIVERSITY

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 2, 2019 / 2020

PEM0034 – ESSENTIALS OF MACROECONOMICS

(All sections / Groups)

11 MARCH 2020
9.00 a.m - 11.00 a.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This question paper consists of **SIX (6)** printed pages with:
Section A: **Thirty (30)** multiple choice questions (60 marks)
Section B: **Two (2)** structured questions (40 marks)
2. Answer **ALL** questions.
3. Shade your answers for **Section A** in the Multiple-Choice Answer Sheet and **Section B** in the Answer Booklet provided.
4. Marks allocations are shown at the end of each question.

SECTION A: MULTIPLE CHOICE QUESTIONS (60 MARKS)**Instruction:** Shade your answer in the multiple choice answer sheet.

1. Inflation is a situation where there is _____.
 - A. an increase in the value of money
 - B. a rise in real income of consumers
 - C. a loss in income, due to excessive government expenditure
 - D. a persistent and sustained increased in the general price level
2. An increase in the world oil prices in 2013 has _____.
 - A. decrease aggregate supply, causing cost-push inflation
 - B. increase aggregate supply, causing cost-pull inflation
 - C. decrease aggregate supply, causing demand-pull inflation
 - D. increase aggregate supply, causing demand-pull inflation
3. Cost-push inflation is caused by _____.
 - A. lower aggregate demand
 - B. a decrease in the cost of production
 - C. an increase in the cost of production
 - D. lower indirect taxes imposed by the government
4. _____ occurs when aggregate demand increases and pulls prices up.
 - A. Cost-pull inflation
 - B. Cost-push inflation
 - C. Demand-pull inflation
 - D. Demand-push inflation
5. Which of the following group will suffer during inflation?
 - A. Savers.
 - B. Lenders.
 - C. Fixed wage earners.
 - D. All of the above.
6. Inflation changes the existing pattern of distribution of income and wealth in a society where some groups are relatively better off than others. The people who stand to gain from continuous inflation are _____.
 - A. people dependent on fixed income
 - B. debtors because the real value of money has changed
 - C. holders of government bonds, fixed deposits in banks, life insurance policies and money
 - D. creditors because when they received the money owed to them, the real value of the money will be less
7. If the consumer price index (CPI) is 147.3 in 2018 and 143.8 in 2017, what is the rate of inflation between 2017 and 2018?
 - A. 0.024%.
 - B. 0.24%.
 - C. 2.43%.
 - D. 0.432%.

Continued...

8. The number of people unemployed equals _____.
 - A. the number of people employed minus the labour force
 - B. the labour force minus the number of people employed
 - C. the labour force plus the number of people employed
 - D. the number of people employed divided by the labour force
9. Cyclical unemployment exists because some workers _____.
 - A. lack of soft skills
 - B. quit their jobs to look for better jobs
 - C. have lost their jobs, due to technical factors
 - D. have lost their jobs during a downswing in the economy
10. Workers who are overqualified for their current jobs are defined as _____.
 - A. unemployed
 - B. over-employed
 - C. underemployed
 - D. discourage workers
11. The definition of discourage workers can be explained as _____.
 - A. a person who is currently not working, due to structural changes
 - B. a person who works part-time and is looking for a full-time paid job
 - C. a person who leaves the job market and has no success in finding a job after a long time
 - D. a person who has been sacked and is temporarily out of job
12. Both Ali and Ahmad lost their jobs because their skills became obsolete due to technological innovation. This describes _____.
 - A. disguised unemployment
 - B. structural unemployment
 - C. cyclical unemployment
 - D. frictional unemployment
13. What can happen to the economy if the level of unemployment is very low?
 - A. It can create a booming economy.
 - B. It does not have a predictable effect.
 - C. It can cause wages and prices to rise.
 - D. It can make it difficult for some to find jobs.
14. The ratio at which nations will exchange goods and services is known as the _____.
 - A. interest rate
 - B. terms of trade
 - C. fixed exchange rate
 - D. balance on current account

Continued...

15. Which of the following statements is an argument for protective tariffs?

- To protect domestic employment.
- To give local consumers more choices.
- To reduce the external value of domestic currency.
- To encourage the transfer of technology to other countries.

16. The main reason why one nation trades with another is to _____.

- develop political alliances
- achieve the gains of specialization
- save its natural resources from rapid exhaustion
- abolish the danger of retaliation from other nations

17. Which of the following statements is true about quota?

- Total ban on imported goods.
- Government subsidies on exported goods.
- A limit on the quantity of imported products.
- Exchange control on the sale of foreign currencies.

18. Which of the following is not included in the current account balance?

- Net income.
- Current transfer.
- Financial account.
- Balance of goods and services.

19. An economy with foreign trade is known as _____.

- a closed economy
- an open economy
- a planned economy
- a laissez faire economy

20. International trade is different from domestic trade _____.

- because the size of market is relatively bigger for international trade
- because of the usage of different units of currency in international trade
- because they are focused internationally rather than domestically
- All of the above

21. Given the same amount of resources, if a country can produce more of a particular commodity as compared to another country, this country is said to have _____.

- a mutual advantage
- an absolute advantage
- a productive advantage
- a comparative advantage

22. The ability to produce a good at a lower opportunity cost than others is called _____.

- mutual advantage
- absolute advantage
- productive advantage
- comparative advantage

Continued...

Country/Product	Guns	Buns
U.S	120	180
Russia	100	60

Exhibit 1

23. Refer to **Exhibit 1**, calculate the opportunity cost to produce one unit of gun and one unit of bun for the U.S.

- 1.5 guns and 0.67 buns.
- 0.6 guns and 1.67 buns.
- 1.6 guns and 0.63 guns.
- 0.5 guns and 2.0 buns.

24. Which country should specialize in the production of buns based on the principles of comparative advantage?

- U.S.
- Russia.
- U.S and Russia.
- Neither.

25. _____ is a market for converting the currency of one country into that of another.

- Financial barter
- Foreign exchange
- Monetary replacement
- Cross-cultural interchange

26. The _____ is the lubricant that enables companies based in countries that use different currencies to trade with each other.

- World Bank
- foreign monetary mart
- foreign exchange market
- foreign currency exchange

27. If the Malaysia Ringgit depreciates relatively to the U.S Dollar then the dollar will _____.

- be less expensive to Malaysia Ringgit
- appreciate relatively to the Malaysia Ringgit
- depreciate relatively to the Malaysia Ringgit
- either appreciate or depreciate relatively to the Malaysian Ringgit

28. An excess demand for a particular currency in the floating exchange rate system will lead to _____.

- a depreciation of that currency
- an appreciation of that currency
- a long-term surplus of the currency
- a long-term shortage of the currency

Continued...

29. Under the flexible exchange rate system, an increase in the international value of a nation's currency will cause _____.
 A. its exports to increase
 B. its exports to decrease
 C. an international surplus of its currency
 D. disequilibrium in its balance of payment

30. Appreciation of the Malaysia Ringgit tends to _____.
 A. increase the prices of both Malaysia's imports and exports
 B. decrease the prices of both Malaysia's imports and exports
 C. increase the prices of imported goods, but increase the prices of exported goods in Malaysia
 D. decrease the prices of imported goods, but increase the prices of exported goods in Malaysia

SECTION B: STRUCTURED QUESTIONS (40 marks)

Instruction: Answer all questions in the answer booklet provided.

Question 1

Exhibit 2 shows total population, labour force, labour force participation rate, and rate of unemployment for a country in 2015 and 2016 for ages 15 – 64.

Item	2015	2016
Total population ('000)	33, 511.9	34, 263.6
Labour force ('000)	9, 884.6	10, 151.5
Labour force participation rate	66.8%	66.5%
Unemployment rate	3.2%	3.4%

Exhibit 2

(a) Based on table in **Exhibit 2**, explain what is labour force and unemployment rate. (8 marks)

(b) Calculate the total unemployment for 2015 and 2016. (4 marks)

(c) Calculate the total employment for 2015 and 2016. (4 marks)

(d) What is the relationship between unemployment rate and labour force participation rate? (4 marks)

[Total: 20 marks]
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Question 2

The table in **Exhibit 3** shows the items in the balance of payment for Malaysia in 2015.

Item	RM (million)
Transportation	7,000
Portfolio investment	3,600
Current transfers	2,020
Capital account	5,910
Error and omission	6,000
Other services	3,200
Direct investment	3,200
Insurance	1,030
Government transaction	2,860
Income from investment	6,000
Imports	1,465
Education	1,810
Other investment	600
Exports	2,400

Exhibit 3

Calculate the:

- (a) Merchandise trade balance. (4 marks)
- (b) Current account balance. (6 marks)
- (c) Capital and financial account balance. (4 marks)
- (d) Overall balance. (6 marks)

[Total: 20 marks]

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